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POINT OF SALE TAX REPORTING  
AND AUTOMATIC COLLECTION SYSTEM  
WITH TAX REGISTER

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This application is a continuation-in-part (CIP) of U.S. Application Serial No. 08/726,928, filed 10/3/96, which is a CIP of 08/438,890, filed May 10, 1995 (Patent No. 5,799,283, the disclosures of both of which are hereby incorporated herein by reference.

POINT OF SALE TAX REPORTING  
AND AUTOMATIC COLLECTION SYSTEM  
WITH TAX REGISTER

This invention relates to a system for automatically forwarding retail sales transaction information and corresponding sales tax data from individual retailers to a centrally located remote location such as a government taxing authority using a tax register. More particularly, this invention relates to a system and method for ensuring that substantially all retail transactions upon which sales tax is collected are reported to and collected sales tax is paid over to government authorities for subsequent annual tabulation and submission to the IRS, the system and method utilizing a tax register disposed at each retail location and central computers and memories disposed at state and federal offices.

### BACKGROUND OF THE INVENTION

5 The tax laws in the United States are set up so as to require retailers throughout the country to report all transactions made with consumers. For example, each time an appliance retailer sells a refrigerator or television to a consumer, the retailer is required to report the transaction and the amount of sales tax collected to state and/or federal government authorities for tax purposes. Unfortunately, many retailers (e.g. appliance stores, restaurants, furniture stores, automobile dealers, tour services, computer venders, etc.) do not report each and every cash transaction made with consumers to the state and/or federal governments, either intentionally or unintentionally. By not reporting all (e.g. cash) transactions, retailers avoid declaring their actual total gross income in their federal and state income tax returns thus putting themselves in a position to keep the sales tax collected from consumers on such transactions for their own enrichment.

20 Most states throughout the United States have legislated a percentage based sales tax on retail goods

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sold to consumers. Sales tax rates and the items taxed vary from state to state. In most states, a Certificate of Authority is issued by the state government to retail establishments, this certificate authorizing retailers to  
5 collect sales tax from public consumers and then, in turn, pay over all collected sales tax proceeds to the state treasury. When cash transactions occur or inadequate records are kept, retailers sometimes fail to report the transactions and do not turn over the sales  
10 tax collected thereon. This, of course, adds up to a significant loss for state and federal treasuries as more and more retailers accidentally forget or neglect to report transactions and turn over the resulting collected sales tax.

15       Currently, most individual states employ numerous auditors whose job it is to monitor and enforce proper reporting of sales tax transactions and the corresponding turning over of sales tax collected by retailers to the state treasury. Such auditors travel from retailer to  
20 retailer thereby visiting numerous retailer establishments at which the auditors "check the books and records" of the retailers for error (intentional or

unintentional). In the event that an unreported cash transaction occurs or the paperwork is unavailable, the unreported transaction is undetectable and the auditor is at a loss to enforce the particular tax laws at issue.

5           Currently, tax laws and retailers are set up so that retailers typically charge the required sales tax in most consumer transactions. Generally, retailers are collection agents for the government who collect, hold, and use for extended periods of time collected tax money  
10   which belongs to the government. However, consumers and state taxing authorities have no way to verify that all transactions made by the retailer and sales tax dollars collected thereon are reported to the state treasuries. In other words, retailers are currently on an "honor  
15   system" requiring them to report all retail sales to the proper authorities and pay over the corresponding sales tax amounts collected thereon. Unfortunately, as with all "honor systems", the reporting of some transactions goes unreported, either intentionally or unintentionally,  
20   thereby resulting in both retailer unjust enrichment and tax law unenforceability. The consumer has no way of

knowing if the collected sales tax is being turned over to the appropriate authorities.

It is apparent from the above that there exists a need in the art for a system and corresponding equipment and method to be implemented which increases the percentage of retailer transactions and collected sales tax forwarded to state and federal government agencies. By ensuring that a larger percentage of retail transactions are reported to taxing authorities and that a greater amount of the overall sales tax collected by retailers is paid over to state treasuries, local and federal economies can be more efficiently run and a lesser number of violators will slip through the cracks. It is also desirable that such a system and method have the flexibility for adaptation to other types of taxing of goods and services such as, but not limited to, a potential value added tax system.

U.S. Patent No. 5,335,169 discloses a system for tracking multiple rate assessments on transactions. The '169 patent discloses a computerized system for tracking multiple rate assessments on transactions with customers of a user of the system and includes a computer having a

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processing unit, memory storage, input, display, and  
other programmable devices. The object of the '169  
patent is to implement a system capable of automatically  
tracking appropriate sales tax rates, sales types, and  
5 taxing jurisdictions for the user based upon a limited  
set of transaction designations. While the system of the  
'169 patent enables the user to keep track of appropriate  
sales tax rates, sales types, etc., the system does not  
act to ensure that all retailer transactions and sales  
10 tax collected thereon are reported and forwarded to the  
appropriate authorities.

U.S. Patent No. 5,138,549 discloses an automated tax  
deposit processing system for automatic processing of  
payroll, corporate profit, and excise taxes. A  
15 depositor, via a computer link, engages in a question and  
answer exchange with one of a multiple number of voice  
synthesizers connected to a processor, in accordance with  
the '549 patent. Through the exchange, the depositor  
enters tax deposit information which the processor stores  
20 in its memory. At the end of a particular time period,  
the processor stores tax deposit information relating to  
tax deposits due the same day on a storage medium in

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format(s) predefined by the government agency. The processor also stores tax deposit information entered during the specified time period on a second storage medium so as to enable a bank to automatically transfer tax deposits from each depositors account to a bank account. The system of the '549 patent also includes remote communication terminals connected by links to the processor through which information on depositors and tax deposit due dates is entered. While the system of the '549 patent decreases lobby traffic in banks and personnel time involved in accepting and processing tax deposits, it does not function as does the instant system and method to automatically ensure that substantially all retail transactions and sales tax collected thereon are automatically reported and forwarded to the appropriate state and/or federal authorities.

U.S. Patent No. 4,144,567 discloses an electronic register which enables tax-calculating data to be stored in a memory. In a registration mode, amounts of articles bought by a customer or consumer are stored in the memory of an electronic circuit to calculate a total amount of all articles sold. The total amount calculated is



printed on a receipt and a journal sheet. In a tax set mode, tax data showing the relationship between a taxable amount and a tax assessable thereon is stored in a tax data memory by operation of an entry key and tax key.

5 Tax determined is stored in a buffer register so that after calculation of a tax by the tax calculation circuit, a print instruction is given which impresses the calculated tax stored in the buffer register. Later, the contents of the buffer and those of the sales amount  
10 memory are added together and stored in a memory. While the register of the '567 patent discloses a useful register for retailers, it does not act to automatically or ensure that all retail transactions and sale tax collected thereon are reported and forwarded to the  
15 appropriate authorities.

Conventionally, sales taxes are collected when goods are purchased and delivered into the same State (e.g. New Jersey). "Use tax" is supposed to be paid by buyers when same take delivery by parcel post in the buyer's home  
20 state (i.e. across state lines). Unfortunately, buyers often do not pay the required "use tax" given such circumstances. For example, if a buyer purchased a

computer from a company in New York and it was shipped to Virginia, via UPS, the seller would not collect New York sales tax. However, the buyer is legally obligated to go to the Virginia Tax Office and pay a six percent (6%) use tax to the State of Virginia. Millions, and possibly billions, of dollars are lost annually in unpaid "use tax". This problem is magnified in situations where sales are made via the Internet and the like.

It is a purpose of this invention to fulfill the above-described needs, as well as other needs apparent to the skilled artisan from the following detailed description of this invention.

#### SUMMARY OF THE INVENTION

Generally speaking, this invention fulfills the above-described needs in the art by providing a point of sale tax reporting system comprising:

at least one (but possibly many) tax register located at a retailer location, the at least one tax register for processing consumer sales transaction data at the retailer location and computing sales tax data to be paid to the retailer by the consumer based on the

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amount of a sale, the at least one tax register  
forwarding the transaction data and the sales tax data to  
a first remote location;

a printer located at the retailer location and in  
5 communication with the at least one tax register, the  
printer for printing consumer receipts, the receipts  
having listed thereon the computed sales tax paid to the  
retailer by the consumer;

a first computer and corresponding first memory  
10 disposed at the first remote location, the first computer  
and memory for receiving and storing the forwarded  
transaction and sales tax data; and

a first communication link connecting the tax  
register at the retail location to the first computer and  
15 memory at the first remote location, the first  
communication link for permitting the register to forward  
the transaction and sales tax data to the first computer  
and memory whereby the transaction and sales tax data  
from the retailer is stored at the first remote location  
20 in order to help enforce tax laws and prevent retailers  
from avoiding the payment to the government of collected  
sales tax.

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In certain further preferred embodiments of this invention, the first computer periodically accesses and debits an account of the retailer, the amount debited corresponding to the amount of sales tax paid to the retailer by consumers, the system thereby automatically debiting the retailer's account in accordance with the sales tax data computed and forwarded to the first computer by the register.

This invention further fulfills the above-described needs in the art by providing a method of automatically reporting sales tax paid by consumers to a retailer, the method comprising the steps of:

the consumer purchasing a good or service from the retailer;

15 a retailer register calculating the base sales cost and the corresponding sales tax owed the retailer by the consumer;

the retailer collecting the calculated sales tax from the consumer;

20 the register printing a consumer receipt using a printer, the consumer receipt having listed thereon the amount of sales tax paid to the retailer by the consumer;

the register forwarding as sales tax data the amount of sales tax paid to the retailer by the consumer to a first computer located at a first remote location;

the first computer receiving and storing the sales tax data in a first memory at the first remote location; and

repeating the above steps so that the first memory is periodically updated with sales tax data from the retailer whereby the amount of sales tax paid to the retailer by consumers is stored and summed by the computer at the first remote location.

In certain further preferred embodiments of this invention, the above method further comprises the step of the first computer automatically debiting a retailer account an amount corresponding to the sales tax data forwarded by the register whereby the sales tax paid to the retailer by the consumer is automatically collected from the retailer's account by the first computer.

This invention further fulfills the above-described needs in the art by providing a method of reporting and collecting sales tax paid to retailers by consumers, the method comprising the steps of:

a retailer pre-paying a government office a predetermined amount of sales tax to be collected from consumers, the amount of sales tax not yet having been collected by the retailer;

5 the government office crediting a declining register an amount corresponding to the amount prepaid by the retailer; and

the retailer using the credited declining register to print a consumer receipt for each retailer-consumer  
10 transaction upon which sales tax is paid, the consumer receipts having printed thereon the amounts of sales tax collected by the retailer from the consumer.

For retail operations such as restaurants where tips are customary, the tax register may be programmed to  
15 accept and report tip information.

In certain embodiments, the invention relates to all purchases from consumers that use a credit or debit card or any form of electronic payment. Anything that is bought whether at the local store, over the phone or  
20 through the mail or e-commerce, and a credit or debit card is used to make payment, the tax may be charged to the buyer at the point of sale and routed directly or

indirectly to the appropriate state bank (e.g. handling the credit card account or the like) or other monetary or tax authority.

This invention will now be described with reference  
5 to certain embodiments thereof as illustrated in the following drawings.

#### IN THE DRAWINGS

Figure 1 is a block diagram flow chart of an electronic point of sale tax reporting and automatic  
10 collection system according to a first embodiment of this invention.

Figure 2 illustrates a consumer receipt to be printed from a retailer register according the first embodiment of this invention.

15 Figure 3(a) is a block diagram of components of the system according to the first embodiment of this invention set forth in Figures 1-2.

Figure 3(b) is a flow chart illustrating a way in which the retailer register of the first embodiment may  
20 process and forward retailer transactions and collected sales tax data to a government office.

Figure 4 is a block diagram flow chart of a manual point of sale tax reporting and collection system according to a second embodiment of this invention, this second embodiment utilizing a declining register to be used by the retailer in order to ensure efficient sales tax collection by government authorities.

Figure 5 is a flow chart according to the Figure 4 embodiment to this invention, this Figure illustrating the manner in which the declining register operates in order to print consumer receipts indicating the amount of sales tax collected by the retailer from the consumer.

Figure 6 is a flow chart/block diagram according to an embodiment of this invention wherein tax (e.g. "use tax") on sales made over the Internet, catalog, world wide web, direct mail, etc. is automatically charged to the buyer and reported to the IRS and forwarded to the appropriate State Treasury.

DETAILED DESCRIPTION OF  
CERTAIN EMBODIMENTS OF THIS INVENTION

Referring now more particularly to the accompanying drawings in which like reference numerals indicate like parts and steps throughout the several views.



Figure 1 is a block diagram/flow chart of an electronic point of sale tax reporting and automatic collection system according to a first embodiment of this invention. The system and method as set forth in Figures 1-3 begins at retailer location 10 with the consumer at step 3 where the consumer purchases an item (good or service) from the retailer and pays the appropriate sales tax due on the transaction. When the consumer brings an item to be purchased to retailer check-out register 8, the retailer rings up the sale amount in step 5 by way of the register. Register 8 in step 5 calculates the total sale amount including the cost of the good or service being purchased and the sales tax due on the transaction. The retailer informs the consumer of the total cost of the transaction and the consumer subsequently pays both the sales price and the sales tax due to the retailer. After the retailer is paid, the retailer issues receipt 6 (see Figure 2) to the consumer in step 7. Consumers are educated regarding the importance of asking for receipt 6 so as to ensure that the retailer documents and reports the collected sales tax.

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Register 8, which may be a combination conventional programmable electronic cash register and tax register, or alternatively a conventional electronic cash register connected to a separate and independent programmable electronic tax register, processes and summarizes each transaction in step 9. In summarizing each transaction, register 8 processes the total amount of money received by the retailer from the consumer, this including the sales tax collected and the base transaction amount. Periodically, at the end of each day for example, register 8 causes a printer to output a summary list of all transactions in step 11, this list including a summed total of sales tax collected by the retailer as well as a sum total of base transaction money received from consumers by the retailer.

For example, register 8 may be a tax-modified (via chip, hardware, and/or software technology) Omron Vantage 7000 PC-based point-of-sale system which is a turnkey hardware solution built around an upgradeable 486SX 25 MHZ processor. The system has a POS keyboard with integrated credit card reader and bar code decoder, receipt printer, VGA monitor, and cash drawer. The

software may be modified to perform the tax and retail tasks set forth herein.

Retailer register 8 is in communication with computer 13 which is disposed at remote location 12 as set forth in Figure 3(a). Any type of conventional communication link (e.g. satellite, phone line, T1, microwave, fiber optic, etc.) may be disposed between register 8 and computer 13. Computer 13 may, for example, be located at a state treasury office or other state government taxing authority. Register 8 forwards the amount of sales tax collected by the retailer to computer 13. Register 8 may either forward such sales tax data to computer 13 at the end of or during each transaction, or alternatively it may sum sales tax collected and base transaction amounts collected and store them in memory 15 and then periodically (e.g. at the end of each day) output the summed totals to computer 13 in accordance with its programmed instructions.

Computer 13 receives the forwarded sales tax data and optionally the base transaction data from retailer register 8 in step 17 and stores this information in memory 19, memory 19 preferably being located at the same

remote location 12 as computer 13. After computer 13 receives and stores the tax and transaction data, it accesses retailer bank account 21 in steps 23 and 25 for the purpose of debiting account 21 an amount equal to the sales tax collected by the retailer from consumers (e.g. debit the amount collected the previous day). Computer 13 may access retailer bank account 21 periodically (e.g. on a daily basis), or alternatively after or during each sales transaction recorded and/or processed by register 8, this, of course, depending upon whether register 8 is forwarding the transaction and sales tax data to computer 13 in a periodic or immediate real time manner.

For retail operations where tips are customary the tax register 8 may be programmed to accept and report tip information to location 12. Accordingly, collected tip money is automatically reported to the taxing authorities.

After computer 13 accesses retailer bank account 21 in step 23, the account is charged in step 25 an amount corresponding to the retailer tax data received from register 8 by computer 13 and stored in memory 19. By accessing a bank or checking account of the retailer, the

remote location 12 (e.g. state taxing authority)  
automatically receives from retailer account 25 in step  
27 the amount of sales tax collected by the retailer  
thereby preventing the retailer from unintentionally not  
5 turning over the collected tax to the appropriate  
authorities. Retail register 8 thus is caused to  
automatically report all sales transactions and sales tax  
collected by the retailer to computer 13 and memory 19.  
When remote location 12 receives such transaction and  
10 sales tax data, it accesses retailer bank account 21 and  
causes the account to be debited an amount corresponding  
to the sales tax collected by the retailer. Conventional  
electronic fund transfer techniques may be utilized to  
debit retailer account 21.

15 Computer 13 is also in communication with CPU 31 via  
any type of conventional communication link. CPU 31 is  
preferably located at another remote location 33, which  
is representative of the Internal Revenue Service (IRS)  
according to certain embodiments of this invention.  
20 Computer 13 summarizes and forwards all annual  
transaction data, and optionally sales tax data, to CPU  
31 so that the IRS receives such information in step 35.

Accordingly, the IRS is informed (via Form 1099) of the retailer's annual total gross income thereby ensuring that the retailer efficiently and automatically declares all transactions for tax purposes. CPU 31 is in

5 communication with memory 37 so that consumer transaction and sales tax data can be stored at the IRS in memory 37 for later access. It is noted that local area networks (LANs) may be provided at locations 10, 12, and 33 thereby allowing the system to efficiently and quickly  
10 function via conventional computer communication techniques.

Conventional electronic data interchange (EDI) technology or network centric computing may be used for the purpose of allowing register 8 to communicate with  
15 computer 13. Network centric computing allows the taxing authorities to record and collect the tax electronically. EDI is a known means of electronically exchanging information in a standard format from one computer to another. EDI is easily implemented in mainframe,  
20 minicomputer, PC, and LAN environments. Using EDI, documents and/or other data are transferred from the sender's computer mailbox to that of the recipient, such

documents or information (e.g. transaction data, sales tax data, etc.) being either sent directly or through a value-added network (VAN). Value-added networks are typically third party provisions offering fee-based services such as connections and protocol (e.g. TCP/IP) conversions, such networks routing each transaction to the appropriate electronic mailbox where the information stays until the other party downloads. Thus, EDI may be used as a way in which it allows register 8 to forward all of its transaction and sales tax data to computer 13 located at the remote site 12. As will be recognized by those of skill in the art, EDI may also be utilized between computer 13 and CPU 31 so as to simplify and efficiently manage the communication networks according to the different embodiments of this invention.

An optional feature of this embodiment is the provision of verifying computer 41 at location 12 for the purpose of allowing consumers and/or other interested parties to verify that particular retailer transaction(s) were reported to locations 12 and 33 (e.g. state taxing authority and IRS respectively). For example, a consumer may verify in step 43 that his or her transaction was

reported by the retailer to the appropriate authorities  
by calling an 800 number in step 45. The 800 number  
provides the consumer access to verifying computer 41 by  
way of telephone line 49 so that via conventional DTMF  
5 coding technology the consumer can request verification  
in step 51 that a particular transaction(s) has, in fact,  
been reported.

Figure 2 illustrates an exemplary receipt 6 which  
may be provided to the consumer from the retailer in step  
10 7, receipt 6 being printed by retailer printer 59. As  
shown, customer or consumer receipt 6 has listed thereon  
the base sale amount 53, the amount of sales tax  
collected on the base transaction 55, and optionally a  
transaction number 57. Although not shown, the total  
15 transaction cost may also be printed on the receipt, with  
the base transaction amount 53 and the sales tax  
collected 55 being summed together by register 8 to come  
up with the total amount of the transaction. Optionally  
listed on the receipt is a telephone number which allows  
20 consumers to access verifying computer 41 in order to  
confirm that particular transactions (identified by



transaction number 57) have been reported to the appropriate authorities as set forth above.

Retailer location 10, as illustrated in Figure 3(a), includes retailer register 8, memory 15, printer 59, credit card scanner 61, and optionally computer 63.

Retail register 8, made up of one or more registers, is connected to printer 59, with the printer either being integrally formed with the register or remotely located therefrom at the retailer location. Printer 59 operates to print consumer receipt 6 in step 7 as well as to output summary lists of transaction and sales tax amounts for the retailer in step 11.

Conventional memory 15 is provided so that retailer register 8 can store and optionally sum base transaction amounts 53, collected sales tax amounts 55, and total sale amounts (including the base transaction amount added to the receipt sales tax amount). Such transaction and sales tax data stored in memory 15 can then be periodically accessed by register 8 and forwarded to computer 13.

Conventional credit card scanner 61, which is either integrally formed with register 8 or separate and

independent with respect thereto, is provided so as to allow consumers to pay the retailer at location 10 by way of credit or debit card in a known manner. Scanner 61 is in communication with credit card verifying source(s) 63 via conventional telephone line(s) so that scanner 61 may check input credit card numbers to ensure their validity. The "or" block 65 illustrated in Figure 3(a) is provided so as to illustrate the fact that if credit card scanner 61 is separate and independent from register 8, then scanner 61 is directly in communication with credit card verifying source 63, but when scanner 61 and register 8 are integrally formed as one unit the register (and scanner) is in communication with the verifying source 63.

Another optional feature according to this embodiment is the provision of computer 63 at retailer location 10. Depending upon the programmability of register 8, it may be necessary for a retailer to be provided with computer 63 for the purpose of processing base transaction costs, total costs, sales tax data, and/or storing and forwarding same to computer 13.

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Although not illustrated, another option to this embodiment is the provision of a plurality of mainframe computers disposed throughout a state for example, such mainframes being connected between computer 13 and the numerous retailers 10 spread throughout the state. Each mainframe when provided is responsible for gathering tax data and consumer transaction data from retailers, sorting the information and forwarding same to computer 13 at location 12. In such a manner, the burden placed upon computer 13 with respect to receiving, sorting, and storing transaction and tax data would be lessened with the mainframes taking on much of this burden.

Figure 3(b) is a flow chart illustrating steps taken by register 8 and computer 13. When a consumer purchases an item from a retailer, the sales transaction data is processed in step 67 and the sales tax calculated by register 8 in 69. After payment is received by the retailer from the consumer and receipt 6 is printed in step 71, the transaction amount (absent sales tax) and the sales tax paid on the transaction are each forwarded by register 8 to computer 13 in step 73, register 8 having PC capabilities according to certain embodiments.

After computer 13 receives the transaction amount data and sales tax data in step 73, computer 13 accesses the memory slot within memory 19 designated for the particular retailer identified. Computer 13 then causes the transaction and sales tax data to be summed with like data stored in that slot in step 75 so as to keep a running tabulation on the amount of sales tax and transaction fees collected by that particular retailer.

Figures 4-5 are block diagram/flow charts of a manual point of sale tax reporting and automatic collection system according to a second embodiment of this invention. According to this embodiment, a declining register, similar to a conventional Pitney-Bowes postage stamp meter, is utilized. The process begins in step 77 with the retailer taking its assigned declining register to a government sales tax office or electronic credit machine. At such an office or machine, the retailer pre-pays the state a particular amount of sales tax credit, with the state then in step 79 crediting and stocking the retailer's declining register with the amount pre-paid. Thus, the retailer leaves having prepaid a particular amount of sales tax in step

81, this amount not yet having been received by the retailer from consumers.

When a transaction occurs and a consumer purchases a particular item upon which sales tax is to be collected, the consumer pays the sales tax in step 83 and thereafter the retailer issues an official tax receipt in step 85. The declining register is used to "stamp" the amount of sales tax collected onto the receipt which is then given to the consumer. When the declining register prints the receipt, its balance declines in step 87 (as with conventional declining postage meters) until finally, after a plurality of consumer purchases and retailer receipts stamps, the register zeros out in step 89. Thereafter, the retailer takes his declining register back to the sales tax office or electronic credit machine and repeats step 77 and those following. Each time a retailer's declining register is credited with a particular pre-paid sales tax amount, the state stores and keeps a summary of all credited receipts and tax credits in step 91. Therefore, both the state and the IRS are provided annually with the total sum of sales tax collected (i.e. credited) by each retailer in step 93.

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Figure 5 is a block diagram/flow chart which more particularly illustrates the steps taken by the retailer using the declining register in the Figure 4 embodiment of this invention. At every transaction upon which sales tax is to be paid, the declining register is first keyed for the particular sales tax collected on the base transaction amount in step 95. In accordance with conventional declining register devices, the sales tax amount is deducted from the remaining balance in the machine in step 97. The machine issues a sales tax paid receipt in step 98, this receipt being imprinted with a state owned indicia and indicating the amount of sales tax collected by the retailer from the consumer. Receipt 99, which may or may not also include the total sale amount and/or the base transaction amount, is attached to the consumer's invoice in step 101.

Figure 6 is block diagram/flow chart according to an embodiment of this invention wherein tax (e.g. "use tax") on sales made over the Internet, catalog, world wide web, direct mail, etc. 216, is automatically charged to the buyer or customer, and reported to the IRS and forwarded to the appropriate State Treasury based on the location

of the customer (i.e. where the goods are to be shipped).

As shown in Figure 6, when a buyer or customer wishes to

purchase a product over the Internet 216, for example,

the buyer or consumer first uses communication link 216

5 .(e.g. packet switched digital data network) and makes the

purchase at 201 (e.g. via direct mail, catalog order,

Internet, etc.). After the consumer has made the

purchase, the transaction (i.e. the purchase) is recorded

on tax register 8 at the retailer location at 203.

10 Thereafter, tax register 8 calculates the sales tax or

"use tax" based on the destination of the goods at 205.

For example, if the consumer or buyer is located in

Virginia and the purchased goods are requested by the

consumer to be shipped there from a New York retailer,

15 tax register 8 at 205 calculates the Virginia use tax to

be charged against the consumer's account or credit card.

After this tax has been calculated at 205, the consumer

is given a receipt 7 via the Internet, direct mail, or

simply by regular U.S. Mail 216. After the tax has been

20 calculated at 205, the retailer ships the purchased goods

to the consumer and initiates a credit card transaction

at 207, given the fact that the consumer has purchased

the goods with a credit card. In step 207, tax register  
8 instructs the system and coordinates the credit card  
transaction via a modem which is in communication with  
the credit card company. Thus, the credit card company  
5 at 209 charges the credit card of the consumer with both  
the sales price and the tax (e.g. use tax or just sales  
tax if the goods are not being shipped out-of-state).

Still referring to Figure 6, after the credit card  
transaction has been completed, the amount of the sale is  
10 dispersed to the retailer at 211 via network 216 and tax  
register 8 reports the sales transaction to the State  
and/or IRS at 213. While tax register 8 reports to the  
State and IRS, the credit card company disperses the tax  
funds charged the consumer to the State and/or IRS at 214  
15 via network 216. At 215, the appropriate State Treasury  
(e.g. Virginia) receives the tax calculated in step 205  
over the Internet, modem, etc., while at step 35, the IRS  
receives the gross income summary form 1099 via network  
216. Network 216 may be the Internet throughout the  
20 entire Figure 6 system or, alternatively, may be  
partially the Internet (packet switched network) and



otherwise via the public switched telephone network  
(PSTN) or the like.

In a manner consistent with Figure 6, appropriate  
State and Federal Government Agencies automatically  
5 receive their tax information, including use tax and  
sales tax dollars, when consumers purchase goods or  
products over the Internet, via catalog, direct mail,  
televised shopping clubs, etc. 216 where enforcement of  
"use tax" payment is otherwise difficult given  
10 conventional systems. In sum, the Figure 6 system is an  
improvement over the prior art which will permit  
governments to save large quantities of tax dollars, and  
will allow consumers and retailers to avoid costly tax  
preparation.

15 In certain embodiments, the invention relates  
to all purchases from consumers that use a credit or  
debit card or any form of electronic payment. Anything  
that is bought whether at the local store, over the phone  
or through the mail or e-commerce, and a credit or debit  
20 card is used to make payment, the tax may be charged to  
the buyer at the point of sale and routed directly or  
indirectly to the appropriate state bank (e.g. handling

the credit card account or the like) or other monetary or  
tax authority. Thus, in certain embodiments, this  
invention covers routing of any and all taxes (of all  
kinds) from the point of sale or purchase directly from  
5 the buyer to the government (or alternatively  
indirectly). This may include interstate fuel taxes or  
other tariffs and duties. Also included are credit  
cards, debit cards, checkfree systems and electronic fund  
transfers.

10       Once given the above disclosure, therefore, various  
other modifications, features, or improvements will  
become apparent to the skilled artisan. Such other  
features, modifications, and improvements are thus  
considered a part of this invention, the scope of which  
15 is to be determined by the following claims.